business, smuggling of narcotics and other crimes relating to foreign exchange; and

(b) if so, what steps have been taken to ensure that identified culprits indulging in such crimes to destabilise the country's economy, do not get scot free, to the detriment of honest tax payers?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GINGEE N.RAMACHANDRAN) : (a) Foreign Exchange Management Act (FEMA), 1999, which came into force with effect from 1.6.2000, is a Civil Law and does not have provisions of arrest and prosecution. However, to deal with cross border financial transactions relating to proceeds of serious crimes like corruption, smuggling of narcotics and such other offences, the Government is in the process of enacting the Prevention of Money Laundering Act.

In addition, cases of cross border financial transactions in violation of the provisions of the FEMA can be investigated and adjudicated under that Act and penalties up to three times of the amount involved can be imposed and recovered.

(b) The Directorate of Enforcement has been alerted to be more vigilant in this regard.

Frauds by Financial Website Home Trade

654. DR. AKHILESH DAS:
SHRI AIMADUDDIN AHMED KHAN (DURRU):

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether complaints of frauds against the financial website Home Trade and some brokers involving hundreds of crores of rupees have lately been received by the Reserve Bank of India;

(b) if so, the nature and the details of the frauds alleged to have been played, the total amount involved and the outcome of the investigations, if any, made; and

(c) the action taken against those found responsible and the steps taken to protect the interest of the depositors and others who fell victims to the fraud?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE) : (a) and (b) Reserve Bank of India (RBI) has reported that during the course of regular statutory inspection by National Bank for Agriculture and Rural Development (NABARD) of Nagpur District Central Co-operative Bank (DCCB), certain irregularities in the investment transactions of the bank involving M/s. Home Trade Ltd. and a few other broking firms were found. It was noticed that among others, the bank had failed to comply with RBI guidelines on investments regarding formulation of internal investment policy and internal control system, dealings through brokers, preparation of panel of brokers, obtaining prior approval of RBI for investment in non-SLR securities, violation of co-operative laws regarding lending to companies, trading in Govt. securities in physical form through few broking firms, purchasing of Govt. securities from these brokers who also acted as counterparties, etc. Similar violations of norms were also observed in Wardha DCCB and Osmanabad DCCB. Losses involved in these banks on account of dealings in Government securities amount to Rs. 208.03 crore.

(c) RBI has further reported that the Board of Directors of the Nagpur, Wardha and Osmanabad DCCBs have been superseded and Administrators appointed therein. In addition, Government of Maharashtra has filed a criminal complaint against the Chairman and General Manager of Nagpur DCCB as well as the five investment companies involved. Deposit insurance premium in respect of these three banks has been paid uptodate and thus the depositors interests in these banks are protected fully upto Rs.1 lakh per depositor.

Industrial Slow Down

655. SHRI TARINI KANTA ROY:
SHRI S.K. KHABIR UDDIN AHMED:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government are aware of the fact that industrial slow-down and globalisation are responsible for the rising unemployement in India;

(b) whether Government are also aware that prolonged joblessness has led to frustration and discontentment among the unemployed youth and posed a big problem for the country;